

House Study Bill 250

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
EDUCATION BILL BY
CHAIRPERSON WENDT)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act increasing the state sales and use tax rates and using
2 revenues to replace the local option sales and services tax
3 for school infrastructure purposes, providing a penalty and
4 including an effective date.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 1 Section 1. Section 8.57, subsection 6, paragraph f, Code
1 2 2007, is amended to read as follows:

1 3 f. There is appropriated from the rebuild Iowa
1 4 infrastructure fund to the secure an advanced vision for
1 5 education fund created in section ~~423F.4~~ 423F.1, for each
1 6 fiscal year of the fiscal period beginning July 1, ~~2004~~ 2007,
1 7 and ending June 30, 2014, the amount of the moneys in excess
1 8 of the first forty-seven million dollars credited to the
1 9 rebuild Iowa infrastructure fund during the fiscal year, not
1 10 to exceed ten million dollars.

1 11 Sec. 2. Section 423.2, subsection 1, unnumbered paragraph
1 12 1, Code 2007, is amended to read as follows:

1 13 There is imposed a tax of ~~five six~~ percent upon the sales
1 14 price of all sales of tangible personal property, consisting
1 15 of goods, wares, or merchandise, sold at retail in the state
1 16 to consumers or users except as otherwise provided in this
1 17 subchapter.

1 18 Sec. 3. Section 423.2, subsections 2, 3, 4, and 5, Code
1 19 2007, are amended to read as follows:

1 20 2. A tax of ~~five six~~ percent is imposed upon the sales
1 21 price of the sale or furnishing of gas, electricity, water,
1 22 heat, pay television service, and communication service,
1 23 including the sales price from such sales by any municipal
1 24 corporation or joint water utility furnishing gas,
1 25 electricity, water, heat, pay television service, and
1 26 communication service to the public in its proprietary
1 27 capacity, except as otherwise provided in this subchapter,
1 28 when sold at retail in the state to consumers or users.

1 29 3. A tax of ~~five six~~ percent is imposed upon the sales
1 30 price of all sales of tickets or admissions to places of
1 31 amusement, fairs, and athletic events except those of
1 32 elementary and secondary educational institutions. A tax of
1 33 ~~five six~~ percent is imposed on the sales price of an entry fee
1 34 or like charge imposed solely for the privilege of
1 35 participating in an activity at a place of amusement, fair, or
2 1 athletic event unless the sales price of tickets or admissions
2 2 charges for observing the same activity are taxable under this
2 3 subchapter. A tax of ~~five six~~ percent is imposed upon that
2 4 part of private club membership fees or charges paid for the
2 5 privilege of participating in any athletic sports provided
2 6 club members.

2 7 4. A tax of ~~five six~~ percent is imposed upon the sales
2 8 price derived from the operation of all forms of amusement
2 9 devices and games of skill, games of chance, raffles, and
2 10 bingo games as defined in chapter 99B, operated or conducted
2 11 within the state, the tax to be collected from the operator in
2 12 the same manner as for the collection of taxes upon the sales
2 13 price of tickets or admission as provided in this section.
2 14 Nothing in this subsection shall legalize any games of skill
2 15 or chance or slot-operated devices which are now prohibited by
2 16 law.

2 17 The tax imposed under this subsection covers the total
2 18 amount from the operation of games of skill, games of chance,
2 19 raffles, and bingo games as defined in chapter 99B, and
2 20 musical devices, weighing machines, shooting galleries,
2 21 billiard and pool tables, bowling alleys, pinball machines,
2 22 slot-operated devices selling merchandise not subject to the
2 23 general sales taxes and on the total amount from devices or
2 24 systems where prizes are in any manner awarded to patrons and
2 25 upon the receipts from fees charged for participation in any
2 26 game or other form of amusement, and generally upon the sales
2 27 price from any source of amusement operated for profit, not
2 28 specified in this section, and upon the sales price from which
2 29 tax is not collected for tickets or admission, but tax shall
2 30 not be imposed upon any activity exempt from sales tax under
2 31 section 423.3, subsection 78. Every person receiving any
2 32 sales price from the sources described in this section is
2 33 subject to all provisions of this subchapter relating to
2 34 retail sales tax and other provisions of this chapter as
2 35 applicable.

3 1 5. There is imposed a tax of ~~five six~~ percent upon the
3 2 sales price from the furnishing of services as defined in
3 3 section 423.1.

3 4 Sec. 4. Section 423.2, subsection 7, paragraph a,
3 5 unnumbered paragraph 1, Code 2007, is amended to read as
3 6 follows:

3 7 A tax of ~~five six~~ percent is imposed upon the sales price
3 8 from the sales, furnishing, or service of solid waste
3 9 collection and disposal service.

3 10 Sec. 5. Section 423.2, subsections 8 and 9, Code 2007, are
3 11 amended to read as follows:

3 12 8. a. A tax of ~~five six~~ percent is imposed upon the sales
3 13 price from sales of bundled services contracts. For purposes
3 14 of this subsection, a "bundled services contract" means an
3 15 agreement providing for a retailer's performance of services,
3 16 one or more of which is a taxable service enumerated in this
3 17 section and one or more of which is not, in return for a
3 18 consumer's or user's single payment for the performance of the
3 19 services, with no separate statement to the consumer or user
3 20 of what portion of that payment is attributable to any one
3 21 service which is a part of the contract.

3 22 b. For purposes of the administration of the tax on
3 23 bundled services contracts, the director may enter into
3 24 agreements of limited duration with individual retailers,
3 25 groups of retailers, or organizations representing retailers
3 26 of bundled services contracts. Such an agreement shall impose
3 27 the tax rate only upon that portion of the sales price from a
3 28 bundled services contract which is attributable to taxable
3 29 services provided under the contract.

3 30 9. A tax of ~~five six~~ percent is imposed upon the sales
3 31 price from any mobile telecommunications service which this
3 32 state is allowed to tax by the provisions of the federal
3 33 Mobile Telecommunications Sourcing Act, Pub. L. No. 106=252, 4
3 34 U.S.C. } 116 et seq. For purposes of this subsection, taxes
3 35 on mobile telecommunications service, as defined under the
4 1 federal Mobile Telecommunications Sourcing Act that are deemed
4 2 to be provided by the customer's home service provider, shall
4 3 be paid to the taxing jurisdiction whose territorial limits
4 4 encompass the customer's place of primary use, regardless of
4 5 where the mobile telecommunications service originates,
4 6 terminates, or passes through and shall in all other respects
4 7 be taxed in conformity with the federal Mobile
4 8 Telecommunications Sourcing Act. All other provisions of the
4 9 federal Mobile Telecommunications Sourcing Act are adopted by
4 10 the state of Iowa and incorporated into this subsection by
4 11 reference. With respect to mobile telecommunications service
4 12 under the federal Mobile Telecommunications Sourcing Act, the
4 13 director shall, if requested, enter into agreements consistent
4 14 with the provisions of the federal Act.

4 15 Sec. 6. Section 423.2, subsection 11, Code 2007, is
4 16 amended to read as follows:

4 17 11. All revenues arising under the operation of the
4 18 provisions of this section shall be deposited ~~into the general~~
4 19 ~~fund of the state.~~ as follows:

4 20 a. Five=sixths of such revenues shall be deposited into
4 21 the general fund of the state.

4 22 b. One=sixth of such revenues shall be deposited into the
4 23 secure and advanced vision for education fund created in
4 24 section 423F.1.

4 25 Sec. 7. Section 423.5, unnumbered paragraph 1, Code 2007,
4 26 is amended to read as follows:

4 27 An excise tax at the rate of ~~five six~~ percent of the

4 28 purchase price or installed purchase price is imposed on the
4 29 following:

4 30 Sec. 8. Section 423.43, Code 2007, is amended by adding
4 31 the following new subsection:

4 32 NEW SUBSECTION. 2A. One-sixth of all other revenues
4 33 arising under the operation of the use tax under subchapter
4 34 III shall be credited to the secure an advanced vision for
4 35 education fund created in section 423F.1.

5 1 Sec. 9. Section 423.43, subsection 3, Code 2007, is
5 2 amended to read as follows:

5 3 3. All other revenue arising under the operation of the
5 4 use tax under subchapter III not credited as specified in
5 5 subsections 1, 2, and 2A shall be credited to the general fund
5 6 of the state.

5 7 Sec. 10. Section 423E.1, subsection 2, Code 2007, is
5 8 amended to read as follows:

5 9 2. The maximum rate of tax shall be one percent. The tax
5 10 shall be imposed without regard to any other local sales and
5 11 services tax authorized in chapter 423B, and is repealed at
5 12 the expiration of a period of ten years of imposition or a
5 13 shorter period as provided in the ballot proposition unless
5 14 the period is extended as provided in section 423E.2,
5 15 subsection 5. ~~However, all local option sales and services~~
5 16 ~~taxes for school infrastructure purposes are repealed December~~
5 17 ~~31, 2022.~~

5 18 Sec. 11. Section 423E.1, Code 2007, is amended by adding
5 19 the following new subsection:

5 20 NEW SUBSECTION. 4. a. After July 1, 2007, a county no
5 21 longer has the authority under this chapter to impose or to
5 22 extend an existing local sales and services tax for school
5 23 infrastructure purposes.

5 24 b. The increase in the state sales, services, and use
5 25 taxes under chapter 423, subchapters II and III, from five
5 26 percent to six percent shall replace the county's
5 27 authorization to impose or extend a local sales and services
5 28 tax for school infrastructure purposes and to this extent the
5 29 local sales and services tax for school infrastructure
5 30 purposes is repealed. However, the distribution of moneys in
5 31 the secure an advanced vision for education fund and the use
5 32 of the moneys for infrastructure purposes or property tax
5 33 relief shall continue to apply as provided in chapter 423F and
5 34 the formula for the distribution of the moneys in the fund
5 35 shall be based upon amounts that would have been received if
6 1 the local sales and services taxes continued in existence.

6 2 c. To the extent that any school district has issued bonds
6 3 anticipating the proceeds of a local sales and services tax
6 4 for school infrastructure purposes prior to July 1, 2007, the
6 5 pledge of such tax receipts for the payment of principal and
6 6 interest on such bonds shall be replaced by a pledge of its
6 7 share of the revenues the school district receives under
6 8 section 423F.1.

6 9 Sec. 12. Section 423E.2, subsection 5, paragraph c, Code
6 10 2007, is amended to read as follows:

6 11 c. A local option sales and services tax shall not be
6 12 repealed or reduced in rate if obligations are outstanding
6 13 which are payable as provided in section 423E.5, unless funds
6 14 sufficient to pay the principal, interest, and premium, if
6 15 any, on the outstanding obligations at and prior to maturity
6 16 have been properly set aside and pledged for that purpose.
6 17 ~~However, this paragraph does not apply to the repeal of the~~
6 18 ~~tax on December 31, 2022, as specified in section 423E.1,~~
6 19 ~~subsection 2.~~

6 20 Sec. 13. Section 423E.4, subsection 1, Code 2007, is
6 21 amended by striking the subsection.

6 22 Sec. 14. Section 423E.4, subsection 3, paragraph a, Code
6 23 2007, is amended to read as follows:

6 24 a. The director of revenue by August 15 of each fiscal
6 25 year shall compute the guaranteed school infrastructure amount
6 26 for each school district, each school district's sales tax
6 27 capacity per student for each county, the statewide tax
6 28 revenues per student, and the supplemental school
6 29 infrastructure amount for the ~~coming~~ fiscal year.

6 30 Sec. 15. Section 423E.4, subsection 3, paragraph b,
6 31 subparagraph (3), Code 2007, is amended by striking the
6 32 subparagraph and inserting in lieu thereof the following:

6 33 (3) "Statewide tax revenues per student" means the amount
6 34 determined by estimating the total revenues that would be
6 35 generated by a one percent local option sales and services tax
7 1 for school infrastructure purposes if imposed by all the
7 2 counties during the entire fiscal year and dividing this
7 3 estimated revenue amount by the sum of the combined actual

7 4 enrollment for all counties as determined in section 423E.3,
7 5 subsection 5, paragraph "d", subparagraph (2).

7 6 Sec. 16. Section 423E.4, subsection 7, Code 2007, is
7 7 amended to read as follows:

7 8 7. Notwithstanding subsection 2 of this section or any
7 9 other provision to the contrary, a school district that is
7 10 located in whole or in part in a county that has not
7 11 previously imposed the local sales and services tax for school
7 12 infrastructure, and which votes on and approves the tax at a
7 13 rate of one percent ~~on or~~ before July 1, ~~2008~~ 2007, shall
7 14 receive an amount equal to its pro rata share of the local
7 15 sales and services tax receipts as provided in section 423E.3,
7 16 subsection 5, paragraph "d", for a period corresponding to
7 17 one-half the duration of the tax authorized by the voters.
7 18 For the second half of the duration of the tax authorized by
7 19 the voters, local sales and services tax receipts shall be
7 20 distributed as otherwise applicable pursuant to subsection 2
7 21 of this section.

7 22 Sec. 17. Section 423E.5, Code 2007, is amended to read as
7 23 follows:

7 24 423E.5 BONDING.

7 25 The board of directors of a school district shall be
7 26 authorized to issue negotiable, interest-bearing school bonds,
7 27 without election, and utilize tax receipts derived from the
7 28 sales and services tax for school infrastructure purposes and
7 29 the supplemental school infrastructure amount distributed
7 30 pursuant to section 423E.4, subsection 2, paragraph "b", and
7 31 revenues received pursuant to section 423F.1, for principal

7 32 and interest repayment. Proceeds of the bonds issued pursuant
7 33 to this section shall be utilized solely for school

7 34 infrastructure needs as school infrastructure is defined in
7 35 section 423E.1, subsection 3, and section 423F.2. Bonds

8 1 issued under this section may be sold at public sale as
8 2 provided in chapter 75, or at private sale, without notice and
8 3 hearing as provided in section 73A.12. Bonds may bear dates,
8 4 bear interest at rates not exceeding that permitted by chapter
8 5 74A, mature in one or more installments, be in registered
8 6 form, carry registration and conversion privileges, be payable
8 7 as to principal and interest at times and places, be subject
8 8 to terms of redemption prior to maturity with or without
8 9 premium, and be in one or more denominations, all as provided
8 10 by the resolution of the board of directors authorizing their
8 11 issuance. The resolution may also prescribe additional
8 12 provisions, terms, conditions, and covenants which the board
8 13 of directors deems advisable, including provisions for
8 14 creating and maintaining reserve funds, the issuance of
8 15 additional bonds ranking on a parity with such bonds and
8 16 additional bonds junior and subordinate to such bonds, and
8 17 that such bonds shall rank on a parity with or be junior and
8 18 subordinate to any bonds which may be then outstanding. Bonds
8 19 may be issued to refund outstanding and previously issued
8 20 bonds under this section. ~~Local option sales and services tax~~

~~8 21 revenue~~ The bonds are a contract between contractual
~~8 22 obligation of the school district and holders, and the~~
8 23 resolution issuing the bonds and pledging local option sales
8 24 and services tax revenues or its share of the revenues
8 25 distributed pursuant to section 423F.1 to the payment of

8 26 principal and interest on the bonds is a part of the contract.
8 27 Bonds issued pursuant to this section shall not constitute
8 28 indebtedness within the meaning of any constitutional or
8 29 statutory debt limitation or restriction, and shall not be
8 30 subject to any other law relating to the authorization,
8 31 issuance, or sale of bonds.

~~8 32 A school district in which a local option sales tax for~~
~~8 33 school infrastructure purposes has been imposed shall be~~
8 34 authorized to enter into a chapter 28E agreement with one or
8 35 more cities or a county whose boundaries encompass all or a
9 1 part of the area of the school district. A city or cities
9 2 entering into a chapter 28E agreement shall be authorized to
9 3 expend its designated portion of the ~~local option sales and~~
~~9 4 services tax~~ revenues for any valid purpose permitted in this
9 5 chapter or authorized by the governing body of the city. A
9 6 county entering into a chapter 28E agreement with a school
9 7 district ~~in which a local option sales tax for school~~
~~9 8 infrastructure purposes has been imposed shall be authorized~~
9 9 to expend its designated portion of the ~~local option sales and~~
~~9 10 services tax~~ revenues to provide property tax relief within
9 11 the boundaries of the school district located in the county.
9 12 A school district ~~where a local option sales and services tax~~
~~9 13 is imposed~~ is also authorized to enter into a chapter 28E
9 14 agreement with another school district, a community college,

9 15 or an area education agency which is located partially or
9 16 entirely in or is contiguous to the county where the ~~tax is~~
9 17 ~~imposed school district is located.~~ The school district or
9 18 community college shall only expend its designated portion of
9 19 the ~~local option sales and services tax revenues~~ for
9 20 infrastructure purposes. The area education agency shall only
9 21 expend its designated portion of the ~~local option school~~
9 22 ~~infrastructure sales tax revenues~~ for infrastructure and
9 23 maintenance purposes.

9 24 The governing body of a city may authorize the issuance of
9 25 bonds which are payable from its designated portion of the
9 26 revenues ~~of the local option sales and services tax to be~~
9 27 ~~received under this section,~~ and not from property tax, by
9 28 following the authorization procedures set forth for cities in
9 29 section 384.83. A city may pledge irrevocably any amount
9 30 derived from its designated portions of the revenues ~~of the~~
9 31 ~~local option sales and services tax~~ to the support or payment
9 32 of such bonds.

9 33 Sec. 18. NEW SECTION. 423F.1 SECURE AN ADVANCED VISION
9 34 FOR EDUCATION FUND.

9 35 1. A secure an advanced vision for education fund is
10 1 created as a separate and distinct fund in the state treasury
10 2 under the control of the department of revenue. Moneys in the
10 3 fund include revenues credited to the fund pursuant to this
10 4 chapter, appropriations made to the fund, and other moneys
10 5 deposited into the fund. Subject to subsection 2, any amounts
10 6 disbursed from the fund shall be utilized for school
10 7 infrastructure purposes or property tax relief.

10 8 2. The moneys available in a fiscal year in the secure an
10 9 advanced vision for education fund shall be distributed by the
10 10 department of revenue to each school district in an amount
10 11 equal to the amount the school district would have received
10 12 pursuant to the formula in section 423E.4 as if the local
10 13 sales and services tax for school infrastructure purposes was
10 14 imposed. Moneys in a fiscal year that are in excess of that
10 15 needed to provide each school district with its formula amount
10 16 shall be distributed to each school district based upon the
10 17 school district's actual enrollment as determined in section
10 18 423E.3, subsection 5, paragraph "d", with each school district
10 19 receiving an equal amount per student.

10 20 3. a. The director of revenue by August 15 of each fiscal
10 21 year shall send to each school district an estimate of the
10 22 amount of tax moneys each school district will receive for the
10 23 year and for each month of the year. At the end of each
10 24 month, the director may revise the estimates for the year and
10 25 remaining months.

10 26 b. The director shall remit ninety-five percent of the
10 27 estimated tax receipts for the school district to the school
10 28 district on or before August 31 of the fiscal year and on or
10 29 before the last day of each following month.

10 30 c. The director shall remit a final payment of the
10 31 remainder of tax moneys due for the fiscal year before
10 32 November 10 of the next fiscal year. If an overpayment has
10 33 resulted during the previous fiscal year, the November payment
10 34 shall be adjusted to reflect any overpayment.

10 35 Sec. 19. NEW SECTION. 423F.2 USE OF REVENUES.

11 1 1. A school district receiving revenues from the secure an
11 2 advanced vision for education fund under this chapter shall
11 3 expend the revenues subject to this section for the following
11 4 purposes:

11 5 a. Reduction of bond levies under sections 298.18 and
11 6 298.18A and all other debt levies.

11 7 b. Reduction of the regular and voter-approved physical
11 8 plant and equipment levy under section 298.2.

11 9 c. Reduction of the public educational and recreational
11 10 levy under section 300.2.

11 11 d. Reduction of the schoolhouse tax levy under section
11 12 278.1, subsection 7, Code 1989.

11 13 e. For any authorized infrastructure purpose of the school
11 14 district as defined in section 423E.1.

11 15 f. For the payment of principal and interest on bonds
11 16 issued under sections 423E.5 and 423F.3.

11 17 2. Upon the expiration of a revenue purpose statement in
11 18 existence for the expenditure of local sales and services tax
11 19 for school infrastructure purposes imposed by a county
11 20 pursuant to chapter 423E prior to July 1, 2007, the board of
11 21 directors of a school district may take action to adopt a
11 22 revenue purpose statement specifying the specific purposes for
11 23 which the revenues received from the secure an advanced vision
11 24 for education fund will be expended. If a school district is
11 25 located in a county which has imposed a local sales and

11 26 services tax for school infrastructure purposes on July 1,
11 27 2007, this action shall be taken before expending or
11 28 anticipating revenues to be received after the unextended term
11 29 of the tax unless the school district elects to adopt a
11 30 revenue purpose statement as provided in this section.
11 31 Approval by the electors of an extended tax shall constitute
11 32 approval under this section.

11 33 3. The governing body shall institute proceedings to
11 34 approve a revenue purpose statement by causing a notice of the
11 35 meeting to discuss approval of a revenue purpose statement to
12 1 be published at least once in a newspaper of general
12 2 circulation within the school district at least ten days prior
12 3 to the meeting. Within thirty days following the meeting, the
12 4 board of directors shall take action to approve a revenue
12 5 purpose statement. If at any time before the end of the
12 6 thirty-day period after the meeting approving a revenue
12 7 purpose statement a petition is filed with the secretary of
12 8 the board asking that the question of approving the revenue
12 9 purpose statement be submitted to the registered voters of the
12 10 school district, the board shall either by resolution repeal
12 11 the action approving a revenue purpose statement or direct the
12 12 county commissioner of elections to call a special election
12 13 upon the question of approving the revenue purpose statement.
12 14 The petition must be signed by eligible electors equal to not
12 15 less than one hundred or thirty percent of the number of
12 16 voters at the last preceding regular school election. A
12 17 majority of those voting on the question must favor approval
12 18 of the revenue purpose statement.

12 19 4. The revenues received pursuant to this chapter shall be
12 20 expended for the purposes specified in the revenue purpose
12 21 statement. In the event that a board of directors has not
12 22 approved a revenue purpose statement, the revenues shall be
12 23 expended in the order listed in subsection 1 except that the
12 24 payment of bonds for which the revenues have been pledged
12 25 shall be paid first. Once approved, a revenue purpose
12 26 statement is effective until amended or repealed by the
12 27 foregoing procedures. A revenue purpose statement shall not
12 28 be amended or repealed to reduce the amount of revenue pledged
12 29 to the payment of principal and interest on bonds as long as
12 30 any bonds authorized by sections 423E.5 and 423F.3 are
12 31 outstanding unless funds sufficient to pay principal,
12 32 interest, and premium, if any, on the outstanding obligations
12 33 at or prior to maturity have been properly set aside and
12 34 pledged for that purpose.

12 35 5. A school district with a certified enrollment of fewer
13 1 than two hundred fifty pupils in the entire district or
13 2 certified enrollment of fewer than one hundred pupils in high
13 3 school shall not expend the amount received for new
13 4 construction without prior application to the department of
13 5 education and receipt of a certificate of need pursuant to
13 6 this subsection. A certificate of need is not required for
13 7 repairing schoolhouses or buildings, equipment, technology, or
13 8 transportation equipment for transporting students as provided
13 9 in section 298.3, or for construction necessary for compliance
13 10 with the federal Americans With Disabilities Act pursuant to
13 11 42 U.S.C. } 12101==12117. In determining whether a
13 12 certificate of need shall be issued or denied, the department
13 13 shall consider all of the following:

13 14 a. Enrollment trends in the grades that will be served at
13 15 the new construction site.

13 16 b. The infeasibility of remodeling, reconstructing, or
13 17 repairing existing buildings.

13 18 c. The fire and health safety needs of the school
13 19 district.

13 20 d. The distance, convenience, cost of transportation, and
13 21 accessibility of the new construction site to the students to
13 22 be served at the new construction site.

13 23 e. Availability of alternative, less costly, or more
13 24 effective means of serving the needs of the students.

13 25 f. The financial condition of the district, including the
13 26 effect of the decline of the budget guarantee and unspent
13 27 balance.

13 28 g. Broad and long-term ability of the district to support
13 29 the facility and the quality of the academic program.

13 30 h. Cooperation with other educational entities including
13 31 other school districts, area education agencies, postsecondary
13 32 institutions, and local communities.

13 33 Sec. 20. NEW SECTION. 423F.3 BORROWING AUTHORITY FOR
13 34 SCHOOL DISTRICTS.

13 35 A school district may anticipate its share of the revenues
14 1 under section 423F.1 by issuing bonds in the manner provided

14 2 in section 423E.5. However, to the extent any school district
14 3 has issued bonds anticipating the proceeds of an extended
14 4 local sales and services tax for school infrastructure
14 5 purposes imposed by a county pursuant to chapter 423E prior to
14 6 July 1, 2007, the pledge of such revenues for the payment of
14 7 principal and interest on such bonds shall be replaced by a
14 8 pledge of its share of the revenues under section 423F.1.

14 9 Sec. 21. 2006 Iowa Acts, chapter 1158, section 70, is
14 10 amended to read as follows:

14 11 SEC. 70. Section 423.2, subsection 8, Code Supplement
14 12 2005, is amended by striking the subsection and inserting in
14 13 lieu thereof the following:

14 14 8. a. A tax of ~~five~~ six percent is imposed on the sales
14 15 price from sales of bundled transactions. For the purposes of
14 16 this subsection, a "bundled transaction" is the retail sale of
14 17 two or more distinct and identifiable products, except real
14 18 property and services to real property, which are sold for one
14 19 nonitemized price. A "bundled transaction" does not include
14 20 the sale of any products in which the sales price varies, or
14 21 is negotiable, based on the selection by the purchaser of the
14 22 products included in the transaction.

14 23 b. "Distinct and identifiable products" does not include
14 24 any of the following:

14 25 (1) Packaging or other materials that accompany the retail
14 26 sale of the products and are incidental or immaterial to the
14 27 retail sale of the products.

14 28 (2) A product provided free of charge with the required
14 29 purchase of another product. A product is "provided free of
14 30 charge" if the sales price of the product purchased does not
14 31 vary depending on the inclusion of the product which is
14 32 provided free of charge.

14 33 (3) Items included in the definition of "sales price"
14 34 pursuant to section 423.1.

14 35 c. "One nonitemized price" does not include a price that
15 1 is separately identified by product on binding sales or other
15 2 supporting sales-related documentation made available to the
15 3 customer in paper or electronic form.

15 4 Sec. 22. CONSTRUCTION CONTRACTORS.

15 5 1. Construction contractors may make application to the
15 6 department of revenue for a refund of the additional one
15 7 percent tax paid under chapter 423 by reason of the increase
15 8 in the sales and use taxes from five to six percent for taxes
15 9 paid on goods, wares, or merchandise under the following
15 10 conditions:

15 11 a. The goods, wares, or merchandise are incorporated into
15 12 an improvement to real estate in fulfillment of a written
15 13 contract fully executed prior to July 1, 2007. The refund
15 14 shall not apply to equipment transferred in fulfillment of a
15 15 mixed construction contract.

15 16 b. The contractor has paid to the department of revenue or
15 17 to a retailer the full six percent tax.

15 18 c. The claim is filed on forms provided by the department
15 19 of revenue and is filed within one year of the date the tax is
15 20 paid.

15 21 2. A contractor who makes an erroneous application for
15 22 refund shall be liable for payment of the excess refund paid
15 23 plus interest at the rate in effect under section 421.7. In
15 24 addition, a contractor who willfully makes a false application
15 25 for refund is guilty of a simple misdemeanor and is liable for
15 26 a penalty equal to fifty percent of the excess refund claimed.
15 27 Excess refunds, penalties, and interest due under this section
15 28 may be enforced and collected in the same manner as the tax
15 29 imposed by chapter 423.

15 30 Sec. 23. APPLICABILITY. This section applies in regard to
15 31 the increase in the state sales and use taxes from five to six
15 32 percent. The six percent rate applies to all sales of taxable
15 33 personal property, consisting of goods, wares, or merchandise
15 34 if delivery occurs on or after July 1, 2007. The six percent
15 35 use tax rate applies to the use of property when the first
16 1 taxable use in this state occurs on or after July 1, 2007.
16 2 The six percent rate applies to the gross receipts from the
16 3 sale, furnishing, or service of gas, electricity, water, heat,
16 4 pay television service, and communication service if the date
16 5 of billing the customer is on or after July 1, 2007. In the
16 6 case of a service contract entered into prior to July 1, 2007,
16 7 which contract calls for periodic payments, the six percent
16 8 rate applies to those payments made or due on or after July 1,
16 9 2007. This periodic payment applies but is not limited to
16 10 tickets or admissions, private club membership fees, sources
16 11 of amusement, equipment rental, dry cleaning, reducing salons,
16 12 dance schools, and all other services subject to tax, except

16 13 the aforementioned utility services which are subject to a
16 14 special transitional rule. Unlike periodic payments under
16 15 service contracts, installment sales of goods, wares, and
16 16 merchandise are subject to the full amount of sales or use tax
16 17 when the sales contract is entered into or the property is
16 18 first used in Iowa.

16 19 Sec. 24. EFFECTIVE DATE. The section of this Act amending
16 20 2006 Iowa Acts, chapter 1158, section 70, takes effect January
16 21 1, 2008.

16 22 EXPLANATION

16 23 This bill increases the state sales and use taxes from 5
16 24 percent to 6 percent. The increased revenues are deposited
16 25 into a new secure an advanced vision for education fund to be
16 26 distributed to all school districts. Those state revenues are
16 27 to replace the local option sales and services tax for school
16 28 infrastructure purposes. A statewide amount per pupil is
16 29 computed each fiscal year based upon the estimated amount that
16 30 would be generated by a 1 percent local sales and services tax
16 31 divided by combined enrollment of all school districts. Each
16 32 district will receive an amount equal to the amount that it
16 33 would have received under the formula if the local sales and
16 34 services tax for school infrastructure was imposed. Any funds
16 35 leftover after distribution under the formulas are to be
17 1 distributed to school districts on an equal per pupil basis.

17 2 Revenues received are to be used according to a revenue
17 3 purpose statement that was in existence under the replaced
17 4 tax. Prior to use of any revenues after the replaced tax
17 5 expires, the school district may hold a public meeting on the
17 6 adoption of a revenue purpose statement. If a valid petition
17 7 to hold an election is submitted, then the school district
17 8 either withdraws the revenue purpose statement or an election
17 9 is held. A valid petition has signatures equal to 100
17 10 eligible voters or 30 percent of the number of voters at the
17 11 last regular school election.

17 12 The purposes for which the revenues may be used are the
17 13 reduction of bond levies, regular and voter approved physical
17 14 plant and equipment levy, public educational and recreational
17 15 levy, and schoolhouse tax levy, authorized infrastructure
17 16 purposes as defined in Code section 423E.1, and payment of
17 17 principal and interest of bonds issued under Code chapter 423E
17 18 or 423F. If a revenue purpose statement is not approved, the
17 19 revenues are to be used in the order listed for the above
17 20 purposes.

17 21 The bill provides an effective date.

17 22 LSB 2622HC 82

17 23 mg:rj/je/5